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A League of Nations

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*What Are We
Fighting For?*

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DEMOCRACY vs. AUTOCRACY

By

JOHN RAYMOND CUMMINGS

*Author of Natural Money
The Peaceful Solution*

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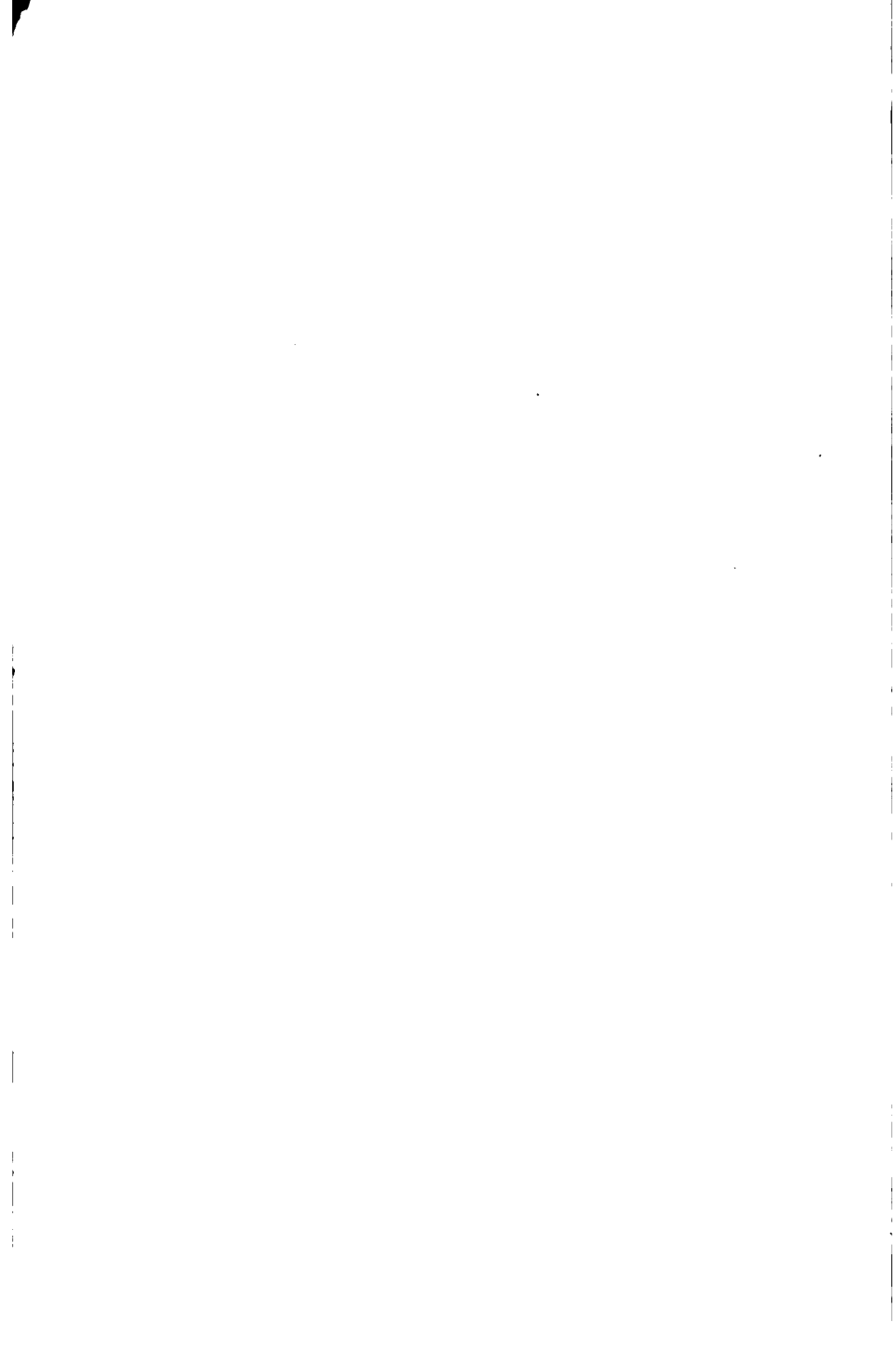
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Cummings, J. R. PREFACE

"A League of Nations," as set forth in the following pages, is a simple working plan whereby the peoples of the world can realize what is now almost universally recognized as the only real guaranty of permanent peace between nations. This, of course, is in that province of statecraft which we may call internationalism. But if the war settlement results only in establishing permanent peace *between* nations we may find that there is little improvement, or none at all, in the condition of the mass of humanity. To improve *international* relations without improving *intranational* conditions might prove a step backward by giving oppressive governments a sense of security against interference. Had a cohesive League of Nations been formed ten or fifteen years ago it is probable the Hohenzollern autocracy would have been guaranteed permanence for centuries to come. "What Are We Fighting For?" deals with this *intranational* diplomacy, which must be complementary to "A League of Nations" unless we are content to look forward to conditions in other nations such as have prevailed in Russia the past year; unless the victory (now seemingly near at hand) is to prove a sore disappointment to the millions of heroic men and women who have made it possible. "Democracy vs. Autocracy" deals with the fundamentals of these opposing principles, and shows how autocracy works its sinister designs in the disguise of political democratic forms.

Except "A League of Nations," this booklet is an abbreviated epitome of a comprehensive system of economic philosophy now almost complete. The system is partially set forth in my book, "Natural Money, The Peaceful Solution" (Bankers Publishing Co., New York).

JOHN RAYMOND CUMMINGS.



A League of Nations

Perpetual Peace and Victory for All

UNLESS this world crisis develops something fundamental, bad as it is, it is but the prelude to a more terrible one not far distant in the future. If it does develop the right fundamental, terrible as it is, it will be the cheapest and best war ever waged—a war by which the world achieved righteousness.

I believe it is almost universally recognized that, whatever the immediate inciting cause, the underlying cause of the war was economic. It is notably a war for world markets, for economic freedom to the extent that it is genuinely democratic, and for economic control to the extent that it is autocratic.

Even before the war began, the necessity of a League of Nations to conserve peace had gained wide acceptance in the thought of statesmen, sociologists and the people at large. Internationalism among Socialists and the attempt at concert of action among the wage workers of many nations were expressions of this movement. In its violent forms of syndicalism and sabotage, with which we have had to deal to some extent, it is ominous of an economic debacle that would wreck civilization if such methods should prevail. Socialists thought they could prevent war

by refusing to participate, but nationalism proved stronger than internationalism, so the Socialists were in the trenches on their respective sides of the national battle lines at the very beginning; yet, though nationalism prevailed over internationalism, and though the mass of the people are resolutely patriotic, even now there is well grounded fear lest the aftermath of the war should be a drastic reorganization, if not a collapse, of some of our social institutions which have long been deemed the cornerstones of material welfare, if not of civilization itself. Lord Northcliffe's leading paper, the London Times, has strongly intimated the necessity of such industrial changes as would have been deemed revolutionary before the war, and similar expressions are heard on every hand. Not long since, Earl Lansdowne was thought to be paving the way for a compromise peace, with the object of avoiding the internal changes likely to follow in the wake of a long-protracted war; and there are doubtless many beneficiaries of unjust economic conditions whose real attitude is, "after us the deluge," whatever position public opinion may force them to assume for the time being.

The League to Enforce Peace is doing a noble work, but as yet I have seen no statement in specific and definite details of what the world-embracing League of Nations shall be. It is easy to make the general declaration that we are fighting for democracy as against autocracy. This is true, but the boys at the front want to know something more, and the boys behind the boys at the front; that is, the boys at home who are working loyally to sustain the boys at the

front, and the fathers, and mothers, and sisters, and sweethearts who are giving their utmost energies to support the war—want to know something more than is conveyed in general statements. Many of them have walked the streets or tramped the highways in vain search for employment in this democracy of which we are justly so proud—when we compare it with autocracy. Some of those now in the trenches did this in 1907, and some were doubtless in the breadlines of New York, Chicago and Philadelphia. Are they fighting in part to assure their places in future breadlines in a democracy, where opportunity is said to be open to all? Some of them may have read Bismarck's words, spoken in the Reichstag in 1884, "The man who is able and willing to work has a right to say to the Government, 'give me work.' I stand for that as long as I stand in this place." In that declaration he "stole the thunder" of the Socialists, and by adopting the wise policy and craftily or ignorantly applying it in such way as to subserve the ends of autocracy, he rapidly built up the Leviathan Frankenstein that is now seeking to wreck civilization. This policy alone accounts not only for the vast amount of energy devoted to war preparations in Germany, but also for the marvelous economic advance, which has been the wonder of the world. I shall deal in the next chapter with the democratic method of applying the principle Bismarck applied in part only and for the support of autocracy, and shall show a simple method of accomplishing for democracy far more than Germany has accomplished for autocracy, by recognizing the right

of men to work, but even before outlining my plan for making A League of Nations a reality, I desire to emphasize the necessity of immediate action by specific declarations instead of general statements.

A Diplomatic Offensive

As a result of Russia's collapse, we yielded the military offensive to the enemy, and though we have regained that, we are now in imminent danger of permitting him to retain the diplomatic offensive until the words "too late" be again written in our record of the war's conduct. We have scoffed at the Kaiser's peace drives, but we cannot reasonably assume that his own people see their hollowness and mockery, nor that the danger is ended. Dr. Frank H. Bohn recently said:

"Within three months Germany will develop a peace propaganda which will require every force of thought and will which our national intellect and character can bring against it."

We should not wait for more peace drives, but should forestall all such action by a single counter-drive expressed in terms so plain, so definite and so just that even the German people, deluded and spiritually abused as they have been by false teachers, cannot fail to recognize them as just. Such a statement of what we are fighting for will be a double drive. It will inspire our own soldiers and people to years of effort and self-denial, if need be, and such statement will find its way across No Man's Land and sap the power of autocracy more rapidly than

the most violent offensive of arms. Let us therefore at once assure our boys in the trenches, our people at home, and the peoples of all the world—even of the Central Powers—that we are fighting for a regenerated and rejuvenated world, from which the snobbery and shams shall be eliminated and in which Mr. Schwab's aristocracy of merit shall be permanently established; assure our boys that they are not coming back to be mere hewers of wood and drawers of water in the land they have saved, but are coming back to a land where no man shall ever pine in enforced idleness, and where the people who perform useful service shall get all the useful things produced, each in proportion to his contribution of service. This, as I shall set it forth, should at once go to the boys at the front and the boys at home, as the solemn pledge of a nation in its hour of danger, that they may be inspired with the vision of a world from which economic injustice, with its poverty and suffering, have been eliminated. The boys will then have received satisfactory answer to the question, "what are we fighting for?" and the Kaiser, and Ludendorff, and Hindenburg, and the junkers, will have been dealt a fatal blow.

The Allies' Peace Drive

The world is in travail. Internationalism is struggling to be born, and humanity is looking to America that this greatest birth of time be not aborted.

The failure of all efforts thus far to establish internationalism on a firm basis is due to lack of

a world-wide binding interest of sufficient strength to prevent one or more nations from breaking away. Lack of this cohesive element would be a fatal weakness to A League of Nations, and internationalism must be a failure until the unbreakable bond is discovered and applied. And as the bottom cause of the war is economic, it is obvious that the bond to bind the nations must be economic. Is there such a bond, and is the world ready for its application to the nations? There is such a bond, and the world is ready. Not only is the world ready—it is impatient—and there is no time to lose. In one of the morning editorials, under the heading, "America the Hope of Russia," I read:

"A Russian expert has demanded in the London Times that a group of representatives of the Entente Allies gather at some convenient point and agree on what is to be done to prevent Germany from controlling Russia after the war. There is no agreement now"; and in H. G. Wells' new book, "In the Fourth Year: Anticipations of a World Peace," I read: "One can trace week by week, and almost day by day, the Americanization of the British conception of the allied war aims."

Yes, it is to America the world is looking, and we must not disappoint the world's expectations. It is Fate's delight to crush that man or nation that trembles at events and fails to ride them to great purposes. We *must* not fail. Failure would be a cosmic tragedy. But neither must we be misled by the universal chorus of democracy into believing that the "autocrat" and "general staff" of "The Unseen Empire" have sud-

denly been converted to true democracy. They have not. Our profiteers prove that.

"To prevent Germany from controlling Russia after the war"—we all see the vital importance of this. Most of us see also that Germany must be prevented from controlling Austria-Hungary, Serbia, Bulgaria, Roumania and Turkey after the war, but how many see the whole truth? Let us not deceive ourselves nor be deceived. The larger truth is: We must prevent *any* nation from controlling any *other* nation. In other words, it is not enough merely to prevent German domination of other peoples. We must carry out President Wilson's declaration in good faith and make every nation free.

To accomplish this we must have an international organism as definite and positive in its functions as our national government organisms are. Its functions must contact the daily life and interests of the people from day to day, for if the world organism does not do this, it will flounder in helplessness and impotency.

No nation is honest enough to be permanently bound against its interests by an unwise agreement, and it is doubtful whether peoples ought to be bound except by their true interest. Whatever we may decide as to this, it is evidently desirable to bind nations together in such way that the *future* interest of each nation shall make it impossible for it to break away without suffering more future loss than its present gain. This is the whole secret of a binding League of Nations. Any league that rests solely on the

sanctity of a promise will not bind an unscrupulous nation, and will bind the scrupulous one to its damage.

The Unbreakable Bond

Almost as long as I can remember, it has been a widespread belief that a large part of the world's suffering is chargeable to the greed of bankers, and for two or three decades Big Business has been a co-defendant in the indictment. They have even been charged by radical reformers, of whom I am one apart (being a reformed reformer, but not reactionary), with bringing on war for their own profit, and Big Business has often been depicted as a juggernaut that is ruthlessly crushing humanity. As a matter of fact, Big Business will remodel the world in a few decades if we provide the social mechanism whereby it can work unhampered by legal restrictions on the one hand and by industrial unrest on the other. But to realize this condition, the coming new order must provide for *all*, not merely for Big Business. Big Business will be bigger in just conditions than is now even dreamed of, but all men must rise together. Class government means war sooner or later, though it is seldom consciously a class war. The social mechanism needful is what the war will bring to the world if we settle it right. But if the men "who do things" do not improve the opportunity by seeing that the war is settled on fundamental principles, then it will be settled as many previous wars have been settled—by mere temporary shifts.

President Wilson has set the pace and indicated the direction, but as yet I have seen no reference in his messages to any specific mechanism, such as I am about to propose, the adoption of which will be the means of realizing the lofty ideals he has set before the world. Perhaps he is reserving details for the future, but if we can formulate a plan so obviously just and impartial that no criticism can be made of it, then it seems advisable to state it fully in advance in order that the world may bear witness, and the high ideals of President Wilson suffer no discount; in order that insincere peace drives by the Kaiser may no longer deceive even his own subjects; in order also that cunning reactionaries, who fear the triumph of true democracy more than they fear autocracy, may not, when the immediate danger is past, prevent the world from realizing the full fruit of its heroic sacrifice. I believe the following is the mechanism required to bring

Perpetual Peace and Victory for All

Anyone who knows just a little more than a little about money and banking knows that if the government should reduce the required legal bank reserve from the present average of less than 10% to a still lower proportion, say 5%, the effect would be a pro rata expansion of bank credit and a further advance of prices, soon followed as a matter of course by demands for wage increase because of the higher cost of living, and later by petitions from the railroads and other

public service corporations for permission to advance their rates because of higher wages and the increased cost of materials. The converse of this is also true; that is, if the government should require bank loans to be contracted from, say ten times the reserve to a smaller multiple, the effect would be a general fall of prices, an increase of the purchasing power of the money unit, a corresponding increase of the burden of all debts and fixed charges, and a final lowering of money wages. It is a vicious circle, and there is no end of our running around it except to fall back and begin over. (The new advance of railway rates was made after this was written.)

It is generally known that the enormous inflow of gold from abroad since the war began, being an addition to the required gold reserve without any corresponding increase in the reserve requirements, became the basis of several billions of new bank credit, thus constituting a considerable factor in price advance over and above the advance due to the relative scarcity resulting from the employment of tens of millions of men in war.

One who knows and holds fast to these almost commonplace truths will readily see that, instead of issuing bonds to meet the expenses of the war, the United States could issue legal tender bills (treasury notes) receivable for all public dues in lieu of gold (not redeemable in gold), and that this money would always be at par with gold *provided the bank reserve requirements were increased in parallel with the issue of new money and the new money constituted the added reserve.* This is self-evident, for if

the banks can keep *private* credits at par with gold, surely they can keep as much national credit at par; that is, to the extent of the volume of bank credit required by the demands of business.

So let us assume that the government notifies the banks to increase their reserve monthly by from five to ten per cent of the reserve existing at the end of each month, until further notice. Of course this will bring a protest from the banks, but if the government furnishes the increase of reserve without charge by depositing legal tender treasury notes, and allows the banks to go on making loans as before, but limited by the increased reserve requirements, the banks will be just so much nearer solvent instead of being technically bankrupt, as they now are; and if this process be continued the government will gradually take over the "unsecured credit" part of the banking business, but will not take it over to hold it. The government will draw checks from day to day in payment for services and supplies, and the money will remain in bank as private deposits, just as nearly all bank credits now do. The process will be continued until the legal bank reserve reaches 100%, and bankers will thereafter lend money instead of lending credit, and business men will borrow money instead of "selling money short," as they now do, with bankers as underwriters of their promises. But bankers will not lend money which the owners may demand at any moment. It is not sound business policy to lend money that is subject to call, and banking will never be perfectly safe while the practice continues. It is

simply legalized "check kiting." Only time deposits should be loaned, for as lenders of money belonging to others (deposits), bankers are mere underwriters.

Probably some thoughtless persons will denounce the proposal as high-handed and confiscatory, but a little thought shows such contention to be unfounded. It is not proposed to take a penny of the banks' assets. Their capital, surplus and undivided profits will be unimpaired. They will collect their loans and pay their depositors the same as if no change had been made in the banking law. They will even continue to lend mere "bank credit" the same as they now do except that the volume of such loans will be limited by the new reserve requirement; and after the reserve reaches 100%, as combined underwriters and lenders, they will lend savings deposits. The competition of the market will equalize the return to bankers with the returns to business in general. But the contention that such law would be an encroachment upon individual rights becomes absurd when we compare it with what is now actually being done. The taking over of the railroads and telegraph lines and the proposed assumption of government control of telephones and other enterprises is far more radical than my proposal. In these cases actual property is taken from private control, but in the case of the banks it would not involve any change in the personnel of management nor even government custodianship of private property. It is a change which ought to be made even if no war were in progress or anticipated. If anyone doubt this, let him make a sin-

cere effort to show any sound reason why a private organization-for-profit should be made quasi-governmental in character and granted the special privilege of monetizing credits to the extent of about ten times its own assets by giving them the quasi-governmental character of "bank credit," which is legal tender for all practical purposes.

There will be no loss to the banks by the change I propose. Their assets will not only be unimpaired, but will soon be greatly enhanced in value. I speak of requiring the banks to increase the reserve, but really the depositors themselves will increase it, for even if the government should pay the money direct to munition makers and others instead of depositing it in the banks, it would immediately go into the banks. The banks will gradually readjust their business to the new conditions, and will get their returns as compensation for performing the true functions of banking; that is, as quasi-official custodians of funds, as social accountants, and as exchangers (transferrers) of credits between distant points. These are vitally important functions of banking, and ought not be confused with the business of lending and underwriting, as they now are. The businesses are closely allied, and will not be disjoined under the new order, but will be properly related. The distinction is merely the distinction between a checking bank and a saving bank, and every bank will soon have a savings department, the deposits of which will be loaned, and probably every customer enjoying the advantage of the checking bank will be required either to pay

higher charges for its services or to keep a specified balance in the savings department. The proposed change therefore amounts to this:

By requiring all deposits subject to check to be actually in bank, the government makes the business of banking absolutely safe, and by providing the additional reserve it accomplishes this without hardship or inconvenience to the banks or to business. By purchasing supplies the government transfers its interest as depositor in the banks to individual depositors, who get no dividends on their deposits in bank and will of necessity pay for all the services rendered, probably in part, as suggested, by carrying their surplus as savings deposits. Thus the depositors will become owners of the increase of reserve, but will realize no profit except in the benefits of an indispensable service rendered at a nominal cost.

The depositors are *now* owners of all the assets of a bank in excess of capital and surplus, and as a lender of credits belonging to its customers the bank is acting in the double capacity of a loan agent and a guaranty company. An individual's "promise to pay" may be even better in fact than that of the average bank, yet it will not pass current in trade because comparatively few people *know it is good*, whereas even an obscure bank's obligations will be accepted because the banks, being subject to official examination, are impliedly endorsed by the government until closed by the bank examiner.

I say there will be no loss to the banks by the change I propose. They now perform several necessary functions, the value of which is limited

by the volume of production and exchange. If banking is not a monopoly they cannot realize more than the general average return to capital, all things considered (the cost of labor involved, risk carried and the high order of ability required). If banking is in any sense a monopoly, then the monopoly feature ought to be eliminated, but I do not share in the opinion that bankers, as such,* enjoy a profitable monopoly. The greatest fortunes are not made in banking. It is, however, probably true that the banks perform much service without charge, or below actual cost, and recoup the loss by receiving undue payment for other service. This will adjust itself and the banking business as a whole will get just what it now gets—payment for the service rendered. But there will be this very great gain to the banker: He will not live in constant fear of a general collapse that may make him a criminal bankrupt (a bankrupt in fact, and often imprisoned as a criminal, though his crime may be only technical) ; and because there

*Note—"As such" is an important qualification, for during the last few decades there has developed what we may call the "promotion banker." The late J. Pierpont Morgan was the most conspicuous of this type, and The United States Steel Corporation was his most notable achievement. However, he was only one of many in New York, Boston, Philadelphia and Chicago. One of their methods was to get control of the enormous funds of life insurance and trust companies and use them for their enterprises; that is, to gain control of rail-ways and railway systems. As these funds aggregate several billions of dollars, the power thus represented is almost beyond comprehension. It has been common knowledge for some years, that an enterprise requiring even a few million dollars could not be financed in New York against the will of these controllers of credit, and most readers will recall how the government itself was not only intimidated and prevented from enforcing the law in the case of The Tennessee Coal and Iron Co. by threats of a panic, but was actually forced to extend assistance to "Wall Street." Many readers will also recall the fact that these financial titans are sometimes at war among themselves, as in the case when the stock of one of the trans-continental railroads went to something like ten times its normal market value because of the rivalry for control.

will be no possible danger of collapse, the returns to the business of banking will be without the frequently recurring interruptions of panic and ensuing periods of depression. To depositors there will be the gain of absolute security, which will also benefit bankers, for the millions now hoarded will be deposited in savings banks. So I repeat again, there will be no loss to bankers, but a very substantial gain, both financial and in the elimination of anxiety.

* * * * *

As bank credits are now some forty billion dollars, the government can meet the war expenses to the extent of at least thirty billion dollars without any expansion of the currency (bank credits), and if the government's need should exceed this amount it can proceed in the same way after the reserve has reached 100%, when the effect of further increase will be a general advance of prices if the increase of money volume should outrun the increase in production, but not otherwise. Under the 100% reserve law the money volume may be increased to the extent of the increase in production without causing an increase in prices, and conversely, if the money volume does not keep pace with the increasing volume of production the general level of prices must fall. Should the situation be such that money must issue in excess of the present volume of bank credit, such excess will be an automatic and equitable tax upon everybody, for everyone gets the bulk of what he consumes by exchanging money for it. The tax is thus automatically distributed without being levied, and spread, and collected, with many "fingerings."

Money issue is a natural source of revenue for the general government to the extent of the permanent money volume, and where the need temporarily exceeds normal issue, as in case of war, excess issue is a tax perfectly distributed by the automatic action of the natural law, and shows in the advance of prices—a tax no man can evade or shift. If we assume the general money-wage level to be fixed (as it will be in the perfect social order) the burden of a general advance of prices due to unusual money issue will fall upon those who are living upon past accumulations of credit (money) the same as upon current producers.

Lest it should not be clear that the foregoing is sound, let us state it in other form, thus:

Assume that the war is ended, that it was financed largely by the sale of bonds, and that we have a debt of 30 billion dollars bearing an average interest rate of $4\frac{1}{2}\%$ —an annual charge of one billion, three hundred and fifty million dollars. Let the banking law be revised by making the Federal Reserve Bank a national institution in the sense that it shall be a part of the Treasury Department. Require every individual bank to carry its reserve in the Reserve Bank, increasing it gradually, as previously described, until it reaches 100%, and making the bonds constitute the increase of reserve, interest on the bonds to be suspended while so used.

This is simply another way of doing the same thing as issuing treasury notes and requiring them to be held as the complement of gold in making up a 100% reserve—is monetizing the bonds as bank credit *after* their issue instead of

monetizing bank credit and avoiding bond issue.

If anyone thinks this would be inflation in the sense that it would lower the purchasing power of the dollar, let him remember that present bank credit is the equivalent of gold or full legal tender bills, and that in the plan proposed there will be no enlargement of the "currency" volume. Instead, we shall simply "demonetize" present bank credit exactly equal to the bonds monetized. In other words, it will simply be a substitution of the nation's credit for the present bank credit made quasi-national by official supervision. I think no one will deny that present bank credit is the equivalent of gold for all practical purposes. Technically it is not legal tender, but when it ceases to be legal tender for all practical purposes the banking system is tottering to its fall.

So there is really no need to prosecute a Liberty Loan campaign, and with the passage of a single amendment to the banking law the war will be financed without debt, or if we wait till after the war, the bonds will be monetized and thus turned into a perpetual non-interest bearing national credit.

But important as this is it is only preliminary to and in elucidation of the plan I have in mind, which is nothing less than a speedy settlement of the war and the prevention of war in the future—really a very simple problem.

If the United States can monetize what we call bank credit, or its bonds, as set forth, ob-

viously other nations can do the same in varying amounts; and still more obviously, many nations acting together can monetize their aggregate bank credits by co-operating in the issue of an international, polyglot legal tender, a World Money, receivable by all the nations in lieu of gold; not excluding gold, nor redeemable in gold, but the equivalent of gold for all purposes in the realm of each signatory power, just as bank credit now is virtually the equivalent of gold within each nation. So let us consider the proposal as part of an international enterprise, in brief as follows:

1. Provide for the establishment of a World Congress, a World Bank and a World Court, the Congress to have absolute control of the sea and world highways, the bank's issue to be a legal tender in all the nations signatory, and the court to have original and exclusive jurisdiction in all disputes between nations, and its branches in the various nations to constitute the admiralty court.

2. Provide that each of the nations signatory shall lodge its bonds with the World Bank and receive in exchange therefor World Money to the extent of its needs for money circulation, and credit in the World Bank for the remainder. For bonds privately held and not surrendered for the purpose, let the individual nations issue temporary bonds to make up its quota in the World Bank until the outstanding bonds come in.

3. Provide that all bonds so lodged with the World Bank shall bear a uniform rate of interest payable in World Money as follows:

Two years at $4\frac{1}{2}\%$
 Two years at 4%
 Two years at $3\frac{1}{2}\%$
 Two years at 3%
 Two years at $2\frac{1}{2}\%$
 Two years at 2%

and thereafter such rate of interest as may be determined by the World Congress.*

4. Provide for representation of the various nations in the World Congress.

* * * * *

Probably it would be well to leave all other details to the Congress itself, but I may here point out some of the things this League of Nations would make possible.

For the purpose of illustration let us assume the national debts to be monetized are as follows:

United States	30	billions
Great Britain	40	"
France	35	"
Italy	15	"
Germany	30	"
Russia.....	20	"
Austria-Hungary	20	"
Small nations and prov- inces	10	"
<hr/>		
Total.....	200	"

*Note—If it be decided to punish the Central Powers economically, no better way is conceivable than to put upon them the burden of a handicap in the World Bank. If it were provided that they should pay four per cent. on their bonds in the World Bank for a century, while the interest rate for all others declined to two per cent. in twelve years, and perhaps to one per cent. or lower in twenty years, there need be no fear. It would mean some six hundred to nine hundred million dollars a year burden on Germany alone—almost as much annually as she assessed upon France in 1871.

At the declining rate of interest suggested the World Congress would have a revenue of 78 billion dollars in twelve years, besides payment for services rendered, which latter should be sufficient for actual expenses.

With this enormous sum the World Congress should buy all the securities of the Panama, Suez and Kiel canals and make them free to all the nations signatory. Probably it would be well also to pay Turkey and England liberal sums for the Dardanelles and the Strait of Gibraltar and make them free to *all* nations. Free world highways should also be provided from Siberia to an all-the-year port on tide water. If Germany and her allies join the League, world highways should be opened from the English Channel to the German frontier, across eastern France to the Mediterranean, and to the Adriatic through Austria-Hungary.

Buy all the navies of the world and as much of the war equipment as may seem advisable.

Probably the foregoing would not consume more than five billion dollars (certainly not more than eight), leaving seventy billions or more for the rehabilitation of Belgium, Serbia, Poland and northern France, and for such world enterprises as the World Congress may deem advisable.

Of course this world Congress will be made up of representatives from all the nations signatory, and delegates from other nations, should any not enter; may have both a house and a senate; will elect its own president, and pass all laws relating to the sea and other world highways. The World Court will be made up of

judges from the various nations, at least from many nations, and the World Bank will be the clearing house of the world, and probably will be the storehouse for all the gold money of the world.

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It is important to explain that this polyglot World Money will be just what the term signifies, a money printed in many languages. The money issued to a nation for domestic circulation will be printed upon one side in the language or languages spoken in that country, and on the other side will be printed in miniature in many languages. This of itself will be a powerful educational influence for world unity. The remainder of each nation's quota will be a credit in the World Bank. For convenience, there will be in each nation a national bank for the use of banks only, and this will be the connecting link between individual banks and the World Bank, which latter will deal only with this one national bank in each nation. It ought to be a part of the Treasury Department.

Let it be especially noted that all the money for domestic use in a nation is printed upon one side in the language of that nation. It will be received at par for a World Bank draft, but should a nation break away from the League (assuming this for the sake of illustration), its drafts would be dishonored. Thus virtually all the money within such seceding nation would be made null and void, and *all* its credit in the World Bank would be suspended. Whatever domestic system it might then adopt, its international commerce would be hopelessly handi-

capped, even if the League of Nations interposed no material restraints upon it.

This money will be used by all the peoples of the world, and will always be above par as compared with gold bullion or the coinage of any nation, and will be used in countries not joining the league (should there be any such), because it will pass everywhere in the world without the necessity of being exchanged, and of course it will be used in the payment of all international balances and in the payment of duties so long as tariffs continue. To the extent that the people of nations not joining the league permanently hold the money they would be *giving* wealth to the issuing nations. It must also be remembered that in a World Bank, payment of balances between nations will have no effect in reducing the total of credits in the bank. Only the money in actual circulation need be printed. This volume must be sufficient in each nation for the money the people habitually carry in their pockets, and to supply money for payrolls, but this is only a fraction of the total volume of money or money equivalent, nearly all of which is merely a book credit subject to transfer by a written order called a check.

Is it conceivable that any nation would reject peace upon such terms? And is it conceivable that war could come again, with this world-embracing co-operation? A nation cut off from co-operation with other nations by being dishonored at the World Bank and having its credit suspended, would be in the position of a business house without banking facilities. The day on which this is proposed to the nations by

that modern miracle, the wireless, will be the latter day of that time which began with the birth in a manger at Bethlehem, from which our world was re-dated; and will be a realization of That Day's promise: On earth peace, good will toward men.

And the next day's sun will rise on a world unvexed by war, with a place in the sun for all the sons of men.

And within a decade the nations will learn that there is a potential money fund in every nation many times greater than its quota of this World Money; equal to at least five times its annual wealth production.

And soon after the whole money truth is learned, national boundaries will be as little noted as lines of latitude and longitude, for all peoples will be united

"In a parliament of man, a federation of the world."

This will be a realization of President Wilson's hope for "peace without victory" in the sense of the dismemberment, or even the crushing defeat, of any nation (if the Central Powers are not hopelessly insane), but in the broadest sense it will be peace *with* victory for all—victory of the world over War itself.

And the most devastating war of all time will have been the cheapest war ever waged, for it will be virtually without debt and the prize gained will be the emancipation of humanity. There will be no occasion for treaties and guarantees; for alliances and counter alliances; for the balancing of powers against powers; for dissembling diplomacy—not even for change of

government forms. Injustice cannot long persist in a nation bounded by justice, and tyranny will be impotent with freedom just beyond the horizon. Even if some far-away autocrat should fail to join at the first, thinking to preserve his autocracy, he would soon make a journey, like the Queen of Sheba, to learn wisdom. It will be a United States of the World.

"And they shall beat their swords into plowshares, and their spears into pruning-hooks: nation shall not lift up a sword against nation, neither shall they learn war any more.

"But they shall sit every man under his vine and under his fig tree; and none shall make them afraid, for the mouth of the Lord of hosts hath spoken it."

* * * * *

But let us assume what seems impossible, namely, that Germany prefers annihilation to freedom of the seas and the world's guaranty of "a place in the sun" and unlimited opportunity for development on terms of equality with other nations—assume that she prefers annihilation to such terms. Very well, we should be in much better position to accomplish her annihilation than we now are or can possibly become without such League of Nations.

As for those who would insist upon annihilating Germany, or even the leaders, rather than accept their complete acquiescence, which joining the League would be, such persons are only less insane than the Kaiser himself. Such attitude would discredit the claim of the Allies that

they are fighting for democracy and would almost validate the claim of Germany that she was fighting against a concerted purpose to destroy her. Against the unquestionable proof that she actually started the war, she would "confess and avoid"; that is, would admit that she did precipitate it at the particular time, because she knew it was inevitable and that her only hope lay in striking before her enemies were fully prepared to accomplish her destruction.

* * * * *

To further emphasize a plain truth, which is obscure only because it has been obscured by ignorance or by intent, namely, that in permitting banks to lend "bank credit" to the extent of eight or ten times their holdings of lawful money the government is delegating to individuals its most important and powerful monopoly function—to further emphasize this, let me again ask the reader to formulate an argument in support of the policy. As the system is of a piece with the custom of "farming out the taxes," he may get some help from a study of this ancient abuse. And should he find an argument that seems to validate our "farming out" of the money-issue function, let him make sure the argument does not prove too much. For instance, a bank is a quasi-governmental warehouse in which "social credits" (money) ought to be safely stored, just as wheat, corn, etc., are safely stored in governmentally regulated warehouses called grain ele-

vators. If a banker may justly be permitted to issue certificates of deposit on mere promises to deposit (pay) money at a future date, and this to the extent of eight or ten times the actual money deposits in bank, is there any reason why the owner of a grain elevator should not be permitted to issue warehouse receipts to the extent of eight or ten times the grain in his elevator, such receipts to be based on promises to deliver grain in the future?

And it would be well to inquire why virtually all debts, both public and private, should be contracted on the basis of a price level determined by a large volume of currency (bank credit, which is money for all practical purposes), with the ever-impending liability to payment when the volume of currency has been contracted by twenty, thirty, or even fifty per cent?

And in view of the universally recognized fact that a judge or juror cannot honorably act in a case in which he is interested, and in view of the further fact that the assets of banks are money and promises to pay money, and that these assets will be increased in value in substantial proportion to the contraction of bank credits, it would be well for the defender of our present system to show why the contraction of credits should be delegated to men who profit by such contraction at the expense of others, the same as if the volume of currency (bank credits) remained the same and all debts were increased twenty, thirty or fifty per cent by a federal sta-

tute or by falsifying the bank balances of individuals.

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And lest it should be thought an indictment of our system is an indictment of bankers, a charge that they are dishonest as a class, I specifically state my belief that with the exception of a small percentage previously referred to, they are men of exceptionally high character. Still with the same exception, they endeavor to protect the interests of their clients, even at the risk of their own failure, often in circumstances requiring courage of the highest order. The fault is in the system, which a few unscrupulous men may manipulate to the peril of all; a system which, even without manipulation, is periodically fraught with danger from influences originating in the industrial order, as I shall presently explain.

What Are We Fighting For?

I SAID in A League of Nations: "Let us therefore at once assure our boys in the trenches, our people at home, and the peoples of all the world—even of the Central Powers—that we are fighting for a regenerated and rejuvenated world, from which all snobbery and shams shall be eliminated and in which Mr. Schwab's aristocracy of merit shall be permanently established; assure our boys that they are not coming back to be mere hewers of wood and drawers of water in the land they have saved, but are coming back to a land where no man shall ever pine in enforced idleness, and where the people who perform useful service shall get all the useful things produced, each in proportion to his contribution of service."

Can anything be more obviously just than this? Can any reasonable person ask more, or any fair minded person grant less? Yet it means nothing more than our spread-eagle Fourth-of-July oratory unless it is definitely formulated as to the social mechanism by which it is to be realized. As I said of our international diplomacy, "To accomplish this we must have an international organism as definite and positive in its functions as our national government organisms are," so I say of this *intra*-national diplomacy, that in order to make it anything more than "sounding

brass, or a tinkling cymbal," anything more than a campaign catch phrase, we must make it definite and specific.

"The man who is able and willing to work has a right to say to the government, 'Give me work.' I stand for that as long as I stand in this place." The Blood-and-Iron Chancellor knew the socialistic "thunder" that was worth *scaling*, and he knew how to pervert it to the uses of autocracy. This policy is the secret of Germany's marvelous economic development, of her power to battle against half the world; and it is in large part the secret of the morale of the German soldiers and *people*. As said, the principle was perverted in its application, and made a prop to autocracy, but it was actually applied, and I have read that in several decades there has at no time been more than two per cent of unemployment in Germany. If this statement of the low percentage of unemployment is true, it is likely that the high percentage of enforced idleness in this and other countries at various periods was industriously advertised to the laboring classes in Germany and that they are still reminded of the contrast.

The perversion of the principle was an easy matter, for autocracy may safely recognize the individual's right to demand employment if the government instead of the natural law be left to determine the wage. This is the only difference between economic justice and all that even autocracy could ask, for the difference is the whole surplus above a modest subsistence. Thus all the saving made by keeping everybody at work went to the War Lord for implements of

war and for trade drives all over the world by secret subsidies and other unfair methods. Consider what Germany's economic position would have been if she had been wise enough during the forty years preceding the war, to make it simply an economic drive for conquering the world markets instead of making her trade conquest under the handicap of enormously expensive war preparations. If all the labor devoted to war preparation had been devoted to making things to use she would have forced other nations to recognize the truth Bismarck stole from the Socialists and devoted to the uses of autocracy.

Opportunity is knocking at the door of America, and if we rise to the occasion we shall not only witness "the Americanization of the British conception of Allied war aims," but shall witness the Americanization of the world's conception of war aims and of peace aims. But we must not make the mistake of avoiding consideration of our at-home diplomacy (our peace aims), or of dealing in mere generalities. Specific and easily understood pledges are what we must have. To kill Autocracy and save Plutocracy (if it were possible) were more deplorable than to lose the war. It would be to assure in the near future a world-wide revolution to which the chaos now prevailing in Russia would seem mild by comparison. Let me not be misunderstood, nor regarded as an alarmist. There is no danger in this direction—if we settle the matter right; but there is no escape if we settle it wrong—if we kill Autocracy and preserve Plutocracy. And let me not be thought a radical who would

resort to drastic and confiscatory methods of economic reform. I am radical, but I am not running amuck in the economic world. I am fighting such methods, and have already said: "Big Business will remodel the world in a few decades after we provide the social mechanism whereby it can work unhampered by legal restrictions on the one hand, and by industrial unrest on the other"; that is, when we have solved the economic problem, which is really the after-the-war problem, the pre-war problem, the war problem, the labor problem, the money problem, the land problem. Henry Ford and Charles M. Schwab, the biggest Big Business men in the world, are proving this without waiting for favorable conditions, and I believe the men of Big Business in general are rapidly learning the great truth these two men are so conspicuously exemplifying.

Our difficulty hitherto has been that Big Business and the industrial classes were both laboring under the erroneous belief that their interests are opposed. This belief is still widespread, even among reformers and sociologists, but it is not true. To establish economic justice it is not necessary to "take over" or to confiscate private property, nor even quasi-public property. I have now before me the frantic appeal of the People's Anti-Single Tax League of California, where the proposal to confiscate land value received more than 250,000 votes in 1916, and hopes to carry this year. This appeal is for financial help, and states that "there is grave danger of a Single Tax law being adopted at the next general election, unless our property owners

wake up to a serious situation." Yes, there is danger, but it will not be averted by perpetuating the present industrial order. Such policy is to invite still more drastic methods when we face the after-the-war problem, of which Lord Lansdowne and many others are so apprehensive that they are suspected of willingness to patch up a peace in their own interest.

I repeat that there is no occasion to "take over" or confiscate private property. Not only is it unnecessary as a permanent policy (whatever we may find advisable in the present exigency), but it is dangerous. I agree with the *London Times'* statement that "the boys are not coming back from the trenches to be mere hirelings on the land," but I denounce the George proposal to confiscate land value, and I declare unnecessary the Socialist proposal to "take over" the instruments of production; yet, something of this sort or something worse is what we are coming to if we do not adopt the sound and just economic system. Already there are frequent hints that the world will be face to face with repudiation, even should the war end soon, and this, too, I denounce, and have shown how to avoid it. We cannot establish justice by committing injustice, and though we can establish permanent peace among the nations, as I have shown, permanent peace within the nation can be assured only by economic justice. If this war is to end war, there is no room for the statesman (?) who thinks to settle the after-the-war problem by mere mitigation of industrial conditions; who is considering the question, "how little of the demand for just industrial conditions can we grant and still win;

how much can we 'keep back' of the meed of heroism and sacrifice and still escape disaster?" Be he king, lord, commoner, or one of our own chosen servants who is faithless or fearful, I say to him in the words of Peter to Ananias: "Thou hast not lied unto men, but unto God." And you, O conscious servant of Privilege, who think to pay the valorous soldiers of Armageddon with deceitful promises and thereby earn thirty pieces of silver, go hang thyself, that it may be as well with thee as with Judas. It will not do. We must establish economic justice or enter upon another millennium of the Dark Ages in the near future.

Fortunately it is easier to do exactly right than merely to mitigate conditions, and while the George system would involve incalculable hardships and chaos, and Socialism (as hitherto taught) is not practicable, one or the other of these plans is almost certain to be adopted in the near future if the true reform is not adopted.

I say it is easier to do exactly right than merely to mitigate conditions. Great truths are simple; easily understood and easily applied. There is but one economic law we need consider in order to establish economic justice, and that is the law of value, commonly called the law of supply and demand. This law is to the economic world what the law of gravity is to the solar system—the law that preserves its balance, and may be stated thus.

When the supply of a thing is normal and the demand for it is normal its value will be normal, for normal value is the resultant effect of normal demand acting upon normal supply.

There is no exception to this in all the world, and when anything sells in the open market for less than it ought to command in exchange, it is because there is more competition among sellers to sell it than among buyers to buy it; because the supply of it and the demand for it are not in normal relation. This is as true of labor as it is of labor products, and wages (the value of labor) are low solely and only because laborers are forced to compete for employment; because there is more competition among the sellers of labor than among the buyers of labor. The followers of Henry George think wages are low because rents are high. Not only is this not true, but it is not even true, as Socialists think, that wages are low because rent and interest together take so much of the product. The exact converse of this is true, namely: Interest and rent are abnormally high because wages are low, and wages are low because laborers are forced to compete for employment.

They are forced to compete for employment because the largest single field of labor normal to organized society is virtually closed. That is the field of public work, the building of highways and other public utilities.

It may seem like a small matter—whether high rents cause low wages or low wages cause high rents—but the distinction is vital and far-reaching; is as important in political economy as it is in medical research to determine whether the bacillus produces the disease or the disease produces the bacillus. For ages the science of medicine dealt mainly with effects (treated symptoms), but is now dealing with causes and is as

tonishing the world with its achievements. Economic science has fallen into a similar error and will achieve results as marvelous as those of medicine, surgery and sanitation when it deals with causes instead of effects. Plainly, if high rents cause low wages we must, as Henry George taught, deal with rent, but if low wages is the cause we must deal with wages.

The simplest truths are last discovered. Economists and statesmen have always supposed that taxes must be collected or bonds sold in order that public work may be done, but this is not true. Public wealth may be monetized as it appears, and a very simple industrial system will not only establish normal wages, but will furnish a perfect system of money and supply an abundant revenue for the general government without taxation, thus at once solving the labor problem, the money problem, the land problem, the tax problem; in fact, all economic problems. Naturally this declaration must seem amazing to a tax-ridden world, the more so because taxes are now at a level hitherto undreamed of, but it is really very simple. It is nothing more than a solution of the "surplus value" problem of the economists. This so-called "surplus value" has been almost a mystery to economic writers for more than a century. It attaches mainly to land, and the belief is almost universal that it necessarily appears as land value. Strictly speaking, it appears as privilege value, but the bulk of it attaches to land. The truth is, it appears as land value only because we have not provided the social mechanism to enable it to appear as public wealth. This mechanism is very simple, and

may be provided by a federal statute of fewer than 100 words, in substance as follows:

From and after the passage of this act public work in the construction of highways and other public utilities shall be open in every rural neighborhood to all the common labor that offers, all labor and material to be paid for in legal tender service certificates, the unit of which shall be a day of common labor.

It is well known to all economists and to business men, that when common-labor wages are high all wages are proportionately high, for every skilled laborer finds his own wage ratio to the basic common-labor wage. In order to establish normal wages, therefore, it is necessary only to make the basic wage normal. The basic wage will be normal when there is no competition among common laborers, and skilled laborers will soon find their wage ratio to the basic wage, making all wages normal. Let us emphasize this point. The law of supply and demand is a natural law. It is true *everywhere* and *all the time*. It is the very basis and foundation of all sound economic philosophy and of all sound business policy. So let us take our stand on this natural law just as we stand by the law of gravity. And let us stand by its corollary also, that all wages will be normal when the basic wage is normal. It is as invariably true that the different grades of labor find their normal ratios to the basic grade as it is that the value of a higher grade of steam coal is normally related to the lowest grade in use. If this basic economic law of supply and demand and its corollary are not

true, then all economic reasoning is idle and unprofitable speculation—merely academic.

When there is no competition for employment the wages of wage workers will quickly advance to the normal proportion of the entire product, and after this proportion is reached, will then advance by as much as the per capita increase in the productiveness of labor. This refers to the real wage (what the money wage will buy), but as the money wage, being a labor-time certificate, will never change, it follows that the increase of the real wage (*what the money wage will buy*) will be realized through increase in the purchasing power of the money unit.

Now, when the money unit absorbs purchasing power by exactly as much as the per capita increase in the productiveness of labor a very curious and vitally important thing happens, namely: The money itself becomes an investment and will accumulate in enormous volume. It will not earn dividends, to be paid periodically, but will increase in exchange value just as vacant land, on the whole, now increases in selling value. Thus a unit of such money saved for future use will buy more product at the later date than it represented when it was earned; will buy the greater product of the same amount of labor currently applied. It will therefore give the money saver (who is a social lender) service for service without lending at interest; that is, without the necessity of "buying a debt" with it. Interest, therefore, in the sense of "economic interest," will disappear. Borrowers will still pay lenders for the labor involved in the

business of lending (wages) and for the risk carried (insurance), but "economic interest" will have disappeared, and when money itself becomes an investment its volume will be all that the people need for the purpose of saving—as soon as it has had time to accumulate—probably in from three to five decades.

When the money unit absorbs this increase in the productiveness of labor (just what vacant land on the whole now absorbs), people will do with the money just what they now do with vacant land, namely, use it as a "storehouse of value," a safe agency of credit saving for age. And when money may be so used they will cease to buy vacant land for the purpose. It is not true, as Henry George taught, that high land value is caused by speculation.* It is caused by the necessity of using land value to guarantee long-time credits, the great mass of which are savings for age.

And when the money unit absorbs the per capita increase in the productiveness of labor money wages will remain constant. An individual will increase his money wage by increasing his skill, but the general level of money wages will never change. Consider what this means. It means an end of all contention as to wages; that strikes and lockouts will have been ended forever. When this has become clear to the reader he is in position to appreciate the full import of what I said in a League of Nations:

*Note—Land speculation does temporarily increase nominal values in places where a "land boom" is on, but land value as a whole cannot be maintained above the aggregate of individual surplus credits to be conserved. This is what land value is.

"Big Business will remodel the world in a few decades if we provide the social mechanism whereby it can work unhampered by legal restrictions on the one hand and by industrial unrest on the other." And I think my further statement, that "Big Business will be bigger in just conditions than is now even dreamed of," will also be granted, for with industrial harmony there will be almost no limit to economic progress.

I said also in "A League of Nations": "And within a decade (after the League is established, as set forth) the nations will learn that there is a potential money fund in every nation many times greater than its quota of this World Money, equal to at least five times its annual wealth production," so let us see if we can verify this by making an approximate estimate of the money volume required for all the people when they are able to make their savings in the form of money; when they are not obliged to keep the money moving by "buying a debt" with it in order, as social lenders, to get "service for service." Payment for loans will then fall to the cost of conducting the business of lending; that is, as before said, to the cost of the labor involved (wages) and the risk carried (insurance) and the overhead charges (expense), which is to say that "economic" interest will disappear.

Of course we cannot predict exactly what people will do, but for assumed conditions and assumed habits of saving for age, it is a simple actuarial problem and is mathematically exact.

It is reasonable to assume that when wages are normal every normal man will make ade-

quate provision against the necessity of laboring when he is old, or of becoming a burden upon others. The billions of life insurance and savings deposits attest the desire of the people to provide for age, and that when conditions are favorable this insurance against dependency or the necessity to labor to the end will be many times greater than it now is, when accumulations are restricted by low wages and are often dissipated by reason of enforced idleness.

It is evident that the man who labors forty years, say from the age of twenty to sixty, can easily produce enough surplus to provide for twenty years of freedom from necessity to labor. To do so he must consume only two-thirds of his product during the forty years of labor and save one-third; and if the individual saves one-third of his product, all the laborers together will save one-third of the total product. This does not mean that what we call "consumption goods" will be stored. The workers' surpluses will be consumed by those already past the productive period of life, who will get them in exchange for "social credits" previously earned and saved. What is surplus to those in the productive period is subsistence to the aged. Let us state it thus: The man in the productive period wants "social credit" in exchange for his surplus, and the man past the productive period wants that surplus in exchange for his "social credit" previously saved. If he cannot exchange his surplus commodities for "social credit" the laborer cannot provide for old age, so the producer is as much interested to find a consumer for his surplus who can give him "social credit" in exchange for it,

as the owner of "social credit" is to find a producer with surplus to sell. True money is merely the agency of automatic social accounting. Men will produce enduring forms of wealth, such as houses and various forms of capital, but all their advance provision for goods to be consumed from day to day when they are old, and for personal services, should be in the form of "social credit" (money) and will be in this form when we have a perfect money that absorbs the increase the social lender is entitled to. Men of exceptional ability as managers will make a large portion of their savings in the various forms of capital, but wage workers will save mostly in the form of money because it is perfectly convenient to accumulate from day to day, a little at a time; because it requires no management, and because it may be spent from day to day, a little at a time, whereas any form of capital, land value, or even a house, must be bartered before its equivalent can be consumed in the form of consumption goods and personal service. This necessity of resorting to barter is certain to involve annoying delay, and very often involves serious loss and hardship. It is probable that more than three-quarters of the provision for age by wage workers will be in the form of money under the conditions proposed, but if we call it one-half we shall certainly not overstate it.

As this social credit (money) will be accumulated by individuals from year to year during forty years and will be spent from year to year during twenty years, as a whole it will be held thirty years—one-half the total period of grad-

ual accumulation and gradual expenditure. Counting both the wealth and "social credit" we have already seen that the annual saving will be one-third the annual production (by our assumption) and as it will be held thirty years the volume accumulation will therefore be one-third of thirty years' production, which is ten times the annual total. However, we have assumed that half of this will consist of houses and other enduring forms of wealth, so the volume of money will be five times the total annual production. As our annual production is now about 40 billion dollars' worth, the volume of the money proposed will almost certainly be the equivalent of 200 billion dollars in from three to five decades—5x40 billions.

But every certificate of the money will represent public wealth, whereas all the credit savings for age; that is to say, all long-time credits, now tend to increase land value because that is the only large volume of "social value" available. The reason of this expanding of land value is, that all long-time credits must be guaranteed by some form of "social value"; that is, by a value that is founded in the social form and is not dependent upon any individual's honesty or continued success. Short-time loans (commercial bank credits) can be secured upon goods in the course of manufacture and exchange, and are now so secured, but the volume of such loans is limited to considerably less than the annual production. Commercial bank loans are a virtual lien upon the goods in the hands of manufacturers and merchants, and a close watch is kept upon all such loans by commercial bankers.

Not only will commodity values not serve as security for savings, because of their transitory character, but the volume is little more than sufficient for commercial loans, and is already so used very close to the limit of safety.

If the savings for age could not be guaranteed by social value—if the volume of this social value were inadequate—then individuals would cease in large measure to produce the surplus they will produce and carry as social credit when there is “social value” to guarantee its repayment.

Now, it is evident that so long as the individual must carry his long-time credits in the form of loans to other individuals (debt), and so long as these must be guaranteed by “social value,” “social value” must be privately owned in order that it may be used to guarantee individual debts. This is necessary in order to induce abundant surplus production, for if individuals cannot carry a large part of their surplus as credit they will not produce abundant surpluses. Land value is therefore performing a vital and beneficial function as compared with the absence of “social value,” but land value hampers production. It does not hamper it as compared with the absence of “social value” in which to carry individual credits, but it does enormously hamper it as compared with having the same volume of “social value” in the form of public wealth, which is an aid to every form of production and exchange.

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One of the most stupendously important features of this proposed industrial and monetary

system is that all its operations are automatic. To begin with, it automatically regulates all industry in the following very simple manner:

Let us assume that for some reason more than the normal proportion of labor had been engaged in public work for a considerable time. This would mean that less than the normal amount had been engaged in private production, and as a result there would be a relative scarcity of commodities. This would cause commodity prices to advance somewhat, and private employers would offer slightly more than the public wage, thus drawing a part of the labor from public to private employment, increasing private production, lowering commodity prices and so restoring the balance. On the other hand, if more than the normal proportion of labor had been in private employment for a considerable time there would be, relatively, a superabundance of commodities, and commodity prices would be abnormally low. Private employers would then release some of their employes, who would go into public work (not to soup-houses and bread-lines), thus again restoring the balance. As a matter of fact, however, there will be no noticeable shifting from private to public work and back again, except of those whose private employment is seasonal. The balance will be preserved with as little agitation as accompanies the maintenance of the water level in two connected reservoirs having separate variable supplies. And in the seasonal character of the basic wage worker's employment and our failure to deal with it, is the source of all economic ills.

I must mention one more of the many beauties of the system's automatic operation. Congress will have nothing to say as to what the government's revenue shall be, and very little to say as to its expenditure. Aside from the "overhead" expenses of the Executive, Administrative and Judicial departments (office expenses), the work will be done and the money will issue in every rural neighborhood in exact proportion as men were otherwise in enforced idleness or less profitably employed, for public work will be open in every rural neighborhood—within going distance of every rural man's home. This is necessary in order that opportunity to labor may be open alike to all. When all the otherwise idle labor is locally employed in every rural neighborhood, then public benefits will be automatically distributed by operation of the natural law, and the scandal of "log-rolling" and "pork-barrels" will be at an end.

Naturally it will be asked: Why should public work be open only in the rural districts? I have already stated that it should be open only to common labor. By this I mean that public employment at common labor only may be demanded at all times. Much skilled labor will be employed, but a man may not *demand* employment as a skilled laborer, though a skilled laborer may demand employment at common labor should he be in need of it. As before said, if we keep the basic, common-labor wage normal all wages will be normal.

Now, the rural district is distinctively the habitat of the typical common laborer, "The Man With a Hoe," the farm laborer; not the

farm owner, nor even the tenant farmer, both of whom are capitalists, but the "hired man."

Because of the seasonal character of farming, these basic wage workers are in enforced idleness during the winter third of the year; not all of them, but probably more than half of them. As a result, there is constant competition for employment and an ever-increasing procession moving from the green fields to the already overcrowded cities, forcing wages down and rents up. And as a complementary effect of this rural idleness during the winter third of the year and the consequent drift to the cities, we have the annual embarrassment of a deplorable shortage of help on the farms during the growing and harvesting season. We have been crying "Back to the land! Back to the land!" for several decades, but have not recognized the true reason for the abnormal drift of population to the cities. The little we have done to cure the deplorable congestion of the cities and assure adequate help on the farms in the growing and harvesting season has been mere makeshift. We shall cure the evil entirely and forever when we recognize and deal wisely with the true cause, which is:

Farmers are short of "hands" in the growing and harvesting season because farm "hands" are short of employment during the winter third of the year.

This is the whole economic problem in a nutshell. Give farm laborers continuous employment in the country at normal wages and all economic problems will solve themselves by the automatic operation of the system as previously

explained. Full-time employment, even at the present wage, to a man who is in enforced idleness one-third of the year will increase his annual wage 50%, and absence of competition for employment will be almost or quite as great a factor for wage increase. We may therefore say with confidence, that wages will be almost doubled. Yet no one will be injured, for no debt or confiscation is involved. Even the wealthy need have no fear, for the increase of wages will come largely by increase in production. Speaking of normal times before the war, we were wasting ten billion dollars' worth of energy annually by enforced idleness, by the doing of things which will not be necessary in just conditions, and by the friction of an industrial mechanism that is not automatic in operation.

Because the statement is so startling, I must explain my assertion that no taxes will be necessary for the support of the general government.

It is evident that no taxes will be necessary until the money issue has reached a volume sufficient for all the credit savings for age of all the people. We have estimated this at the equivalent of 200 billion dollars for our present population and present productive capacity. On the same basis of reckoning, if our population should increase to 400 millions in another century (which would be at a much lower rate than for the past century), the proportionate money volume would be 800 billion dollars. However, to be conservative, let us divide this by two, and call it 400 billions of dollars representing public wealth and let us say that both the population and the money volume have then reached the

limit. Evidently, then, further money issue without cancellation would produce inflation and a corresponding advance of prices, which is the same as the money's loss of unit value. I think there will be universal agreement that cancellation must then begin or issue cease. At least I will assume this—but even then there will be no occasion to levy taxes, for long before this stage of development is reached there will be an inevitable profit on the public utilities owned by the government. I use the word "inevitable" advisedly, for it would be impossible to conduct the utilities exactly at cost, and all the excess of receipts above cost would be cancellation of money. Even so low a profit as two per cent a year would mean a government income of eight billion dollars without taxation, a seemingly abundant revenue. So taxation is destined to become a thing of the past, so far as the general government is concerned, and the old adage, "as sure as death and taxes," will be amended. Two per cent of 200 billions, the estimated value of public utilities for our present population, would be four billion dollars a year for the government income, to which would be added the increase of money volume due to increase of population. Probably it will be said there must be taxation for the administrative, executive and judicial departments at least, but even this is not true. The administration expense is merely the overhead charge of the social corporation we call government, and all this expense goes into the value of the social product the same as office expenses go into the value of a factory's output.

In the last analysis the President is as truly a builder of highways as Mr. Schwab is a maker of cannon.

Yet, though ground rents will decline to normal under the proposed system; though they will become relatively nominal, there will still be some ground rent, and I must call the reader's attention to two vitally important matters as to this fund, namely: (1) It will all be left to the local community and so will all be spent under the eyes of the people who pay it. This is of vast importance, though I may not now take time to dwell upon it. (2) All of economic rent (all the annual value of land in excess of the wages of management and risks of ownership) may be taken for public use without destroying the selling value of the land, when economic interest no longer prevails. This also will be by an automatic method called Voluntary Tax. By this system every man will value his own holding* and pay the uniform rate of community tax, but will hold it on these conditions: Any individual may purchase through the recorder's office, at the voluntary valuation by paying to the owner the value he has set and by engaging to pay a higher annual tax to the community; provided, however, that owners who are not users may always retain ownership by meeting the increase of tax offered, with a small preference, say 5% of the increase, in their favor, and users may retain ownership by meeting the

*Note—Of course he will not undervalue it, for if he did he would soon be forced to sell at less than its value. Neither will he overvalue it, for he could not sell at such valuation, yet would be paying an annual penalty in the form of a tax higher than he need pay. Owners will be permitted to lower their valuation, with pro rata reduction of tax, but may not increase the valuation.

increase of tax offered, with a large preference, say 25% of the increase, in their favor. Homes may be given a still larger preference, or be altogether exempt from forced sale while so used by the owner.

This system of taxation will take unearned rent for public use in exact proportion to the fall of the interest rate *without destroying the selling value of land*. This is evident, for if we assume a site to yield \$500 a year of what we call net income, and that it is valued at \$10,000 because the interest rate is 5%, then, if the interest rate falls to 4%, someone with \$10,000 to invest at 4% will bid \$100 of the \$500 income into the public treasury and pay the owner his voluntary valuation. If interest later falls to 3% somebody with \$10,000 to invest at 3% will bid another \$100 of the income into the treasury and pay the owner the \$10,000 sale value. This process will go on until the interest rate falls to the costs involved in the business of lending, say one or two per cent, and when money loans yield only wages and risk carried, land can yield only wages of management and the risk involved in land ownership; that is, risk of loss of rent and possible decline in selling value.

When it is thus shown that economic interest can be abolished, and is further shown that the disappearance of interest will enable us to take unearned rent without destroying the selling value of land—when this is shown, then persistence in the effort to take the annual value of land in such manner as to confiscate the selling value is a wicked and indefensible attempt to perpetrate a social crime unparalleled in his-

tory. And the system will not only obviate the grievous wrong of confiscation involved in Single Tax, but will also abolish the assessor and tax review board, and put an end to the errors and favoritism inseparable from any method that involves official discretion in the levying of taxes.

The system is simply a method of permitting all long-time credits (savings for age) to appear in the form of public wealth instead of being limited substantially to the volume of land and public debt; that is to say, limited to the volume of privilege value. Public wealth will be the sum of individual credit surpluses.

An Objection Refuted

Having shown that the volume of the proposed money will be the equivalent of 200 billion dollars or more for our present population and productive capacity, if I should fail to deal with the matter specifically it would almost certainly be said that the generally accepted doctrine known as "the quantitative theory of money refutes all my reasoning and that no other answer to it is necessary. In substance this theory is:

Other things being the same, the unit value of money decreases in proportion as the money volume increases.

I not only indorse this doctrine, but state it in stronger terms and apply it to all things having value. It is not peculiar to money. The unit value of *any* utility declines by a more rapid ratio than the volume increases—*other things being the same*. Because of this, the four million

extra bales of cotton harvested in 1911 as compared with the crop of 1910 were worth \$225,000,000 less than nothing; that is, the larger crop was worth \$225,000,000 less than the smaller crop of the year before. The same is true of wheat, corn, fruits, etc., and farmers are said to have considered the advisability of destroying a part of their crops in order to realize more for the remainder than the whole crop could be sold for. The same is true also of manufactured goods, but as factories can be shut down when prices fall the effect is not so pronounced.

Where, then, is the error in the assumption that the quantitative theory of money refutes my reasoning? Simply this: It does not take into consideration the fact that the *demand* for money increases in parallel with the increase of the money *supply*. As the unit value of anything is determined by the ratio of the supply of it to the demand for it, it is evident that supply may be increased to any total without affecting the unit value if the demand for it is increased in like proportion.

When the money unit absorbs the per capita increase in the productiveness of labor and thus gives surplus producers the increase they are entitled to, then money itself becomes an investment, the most desirable form of credit saving for age. Thus the demand for money will be increased to five or ten times the volume required for current exchanges, even when business is on a cash basis. Rightly applied, therefore, the quantitative theory of money confirms my reasoning and my reasoning confirms the quantitative theory of money.

Bearing in mind the fact that the establishment and maintenance of normal wages will be the solution of all economic problems and virtually all political problems, we may state the whole matter in brief as follows:

1. All economic injustice is comprehended in the statement that wages are low.

2. Wages are low because laborers are obliged to compete for employment.

3. They are obliged to compete for employment because the largest single field of labor normal to organized society is virtually closed, namely, the field of public labor.

4. By opening public work in the rural districts to all the common labor that offers we shall end competition among common laborers and thereby make the common-labor wage normal.

5. When the common-labor wage is normal all wages will be normal, for it is the basic wage, to which every skilled laborer finds his own wage ratio.

6. All wages will therefore be normal so long as there is no competition among common laborers; that is, so long as public employment in the building of highways and other public utilities is open to all the common labor that offers.

7. When the real wage (what the money wage will buy) is normal and the money wage does not change (being a time unit of the basic form of labor), the real wage advance will come by the money unit's increase of purchasing power. The money itself, will therefore become an investment and will accumulate in even greater volume than land value now accumu-

lates; will supersede land value as the form "surplus value" will take.

8. But as the money will represent public wealth, the proposed system is nothing more nor less than a simple and direct method of expressing so-called "surplus value" as public wealth, which aids production, instead of allowing it to be expressed as land value, which limits production.

9. If it were possible to administer a Socialistic government without favoritism or corruption, the highest human wisdom could not direct the infinite forces with even a reasonable approach to the efficiency of perfect personal freedom and an automatic industrial mechanism; and if it were possible to reach the maximum of wealth production under Single Tax, and if land value could expand without limiting production, and if all land value could be equitably assessed, fully collected and equitably distributed without cost—if all this were possible, then by this circuitous route "surplus value" would finally be expressed just as it appears in the first instance by the method proposed. Is the "circumlocution" method the natural method?

* * * * *

Send this message to the boys at the front, and to the boys in the mills, the shipyards, the factories and on the farm. They will then know without any uncertainty exactly what they are fighting for, and all the hosts of hell and Hohenzollern will speedily be overcome, if they do not at once turn on their masters and destroy them utterly. Even the Kaiser's paid agents in

this country will turn on him, syndicalists and I. W. W. malcontents will become staunch supporters, and even Ireland will be ablaze with loyal enthusiasm.

* * * * *

The Alternative

It will be well to consider briefly what is the alternative to the foregoing. Are the returning heroes, and the dependents of the heroes that do not return, and the only less heroic heroes and heroines who subordinated every other consideration to love of country, and made victory possible by loyal service in the shipyards, the factories and fields—are they to look forward to such industrial conditions as followed the war of the states in 1873? Are they expected to be content with assurances of “a full dinner pail” when “times are good,” and some form of charitable insurance against bread-lines and soup-houses when times are bad? Are they expected to be content even with the assurance of a farm from the public domain not yet granted to railroad promoters or speculatively held by the beneficiaries of special privileges, some of whom own and hold idle millions of acres of the choicest lands not yet brought into use?

Even supposing all multi-millionaires emulated the self-sacrificing loyalty evinced by many of them (probably by most of them), and not only relinquished their enormous land holdings, but turned their surplus millions of every form into a common pool, not only to provide a farm for every returning soldier who wanted one, but

to improve and stock it—even this would not be an adequate provision, for the reason that the total value of farm products is not increased but decreased by redundant production. This has so often been the experience of farmers that they are said to have considered the advisability of destroying a part of their crops in order to enhance the total value. Only a few days ago I was told that in Michigan many apples had been bought on the trees and paid for, but not picked, the reason being that less than the full crop could be sold for more than all of it. The fifteen million-bale cotton crop of 1911 was worth \$225,000,000 less than the eleven million-bale crop of the year before, and millions of farmers know from bitter experience, that the same is true of corn, wheat and other products.

Not only can we not reward our returning soldiers by sending them "back to the land," but to do so would be disastrous to the prosperity of the millions already engaged in farming. Abnormally cheap food may assure "a full dinner pail," but it cannot assure much more. Unless we have an automatic industrial system and a perfect money we cannot have normal wages; that is, if the mass of the people are not able to purchase *their* entire product with their money wages, we must again face a gradually accumulating "surplus," which will vainly seek a market in foreign countries. I say "vainly seek a market," for the reason that each of the great nations will have a similar "surplus" to find a market for if it does not establish a home market capable of consuming as much as its people produce. This can be done only by establishing

normal wages; that is, by establishing economic justice. International commerce will then be mere exchange of products for the sake of giving all peoples greater variety than can be produced in any one country, and no nation will ever have the least concern as to a market for all the wealth its people can produce. I have never witnessed a more pitiable display of what I may call economic superstition, than that exhibited by an intelligent and successful business man in dealing with this subject. He considered it inevitable that a so-called "surplus" of commodities must gradually accumulate and finally stop the wheels of industry and force thousands or millions of men into idleness and suffering. "I'm afraid we're going too fast," he said dolefully during one of our so-called prosperous periods.

Let us look at the matter sanely.

Always in time of peace there are millions of men in the United States who are in enforced idleness a considerable percentage of the time each year, and at intervals of a few years, in the frequently recurring periods of panic and depression, the chronic condition becomes acute. Then our organized charities and municipalities establish bread-lines and soup-houses to mitigate the situation until, with retrenchment and deprivation on the part of the people, liquidation by many business houses, and reckless extravagance and shameful waste on the part of the few, the embarrassing "surplus" is at last consumed. Then the mills and factories resume their activity, most of the people are employed a large part of the time, and people are happy at their work—until the same thing happens again.

It is notable that when these periods of distress come, the difficulty always begins in exchange; never in production proper, and there actually is a "surplus" that cannot be sold; that is, cannot be exchanged, and which is useless until it is exchanged. These "surplus" products cannot be exchanged because those who need them (and whose labor produced the larger part of them) have not the money or money equivalent with which to buy them, and those who could buy them do not need them; cannot consume them; cannot even waste them. All this has been long noted and much commented upon, but there is another notable fact, complementary to the foregoing, which has not been coordinated therewith so far as I know. Over against this frequently recurring and so distressfully embarrassing "surplus," which stops industry because it cannot be sold, there is at *all* times a deplorable shortage of things that do not have to be sold. They are forms of wealth needed by everybody at all times and in all places, and are of such character that they cannot possibly be produced in excess of the need.

These forms of wealth are highways and other public utilities.

In order that we may deal with the problem that confronts us at all times rather than with something unusual, let us assume the condition of 1893 to have recurred (as it will a few years after the war ends if we do not establish a just industrial system), and that a congressional committee has taken the matter in hand to see what ought to be done. Assume that the federal statute for open public employment and service

money is under consideration and that the committee is hearing opinions of it pro and con. Assume further, that one of our wise statesmen or professors from a seat of learning, has opposed it on the ground that "it is not a proper function of government to provide employment for men in enforced idleness." A representative of labor is next heard, and we may imagine him to speak as follows:

Mr. Chairman and Gentlemen of the Committee: I do not know whether the government should permanently employ all idle men or not, but this I do know, that so long as an industrial system is maintained under which men are often in enforced idleness and obliged to beg, steal or starve, the government should employ all such men until governments learn how to govern so that none shall be in enforced idleness. Men whose wives and children are hungry and cold cannot wait for philosophers to evolve the perfect social order. The objection of the gentleman who has just spoken is technical, scholastic mockery, and assumes that men were made for government, not government for men. Such objection is as specious and as foreign to reason as would be a surgeon's refusal to render first aid to an injured person on the plea that his license did not cover the locality. It is not only unworthy of your consideration, but of an answer. Still, to take Solomon's advice and answer a technical objection technically, I suggest this to the committee: Make the law tentative by providing that it shall be voted upon at each presidential election, and shall not become a permanent law until it shall have been endorsed

three times by a majority of the nation's voters after it shall have been in full operation for three years. And I suggest further (in deference to those who think God made gold in order that men might coin it into money), that gold be not demonetized until the people demonitize it by vote. If we call a unit of this service money a "daylor" there will be no confusion. Let gold still be a legal tender for all contracts expressed in gold, and for taxes, at its market ratio to the new money. There can be no sound objection to this, for every man who prefers gold can contract for gold, and those who prefer "daylors" will contract for "daylors."

Gentlemen of the Committee, consider this: For more than 300 years in this country, and for thousands of years in the old countries, governments have been endeavoring to discover some practicable way to finance the building of highways and other public utilities, but no adequate system has ever been found. For years past there have been organizations of business men in the large cities, whose sole purpose is to devise some method to raise funds for the building of highways, and these organizations have worked side by side with those philanthropic organizations whose sole purpose is to find employment for men in enforced idleness. Think of the absurdity, Gentlemen of the Committee: One organization with much work to do, hunting for some way to get the work done; other organizations seeking work for idle men, yet no power to co-operate! Why this lack of co-ordination? Stated in brief it is nothing more than this: The same school of economic philosophers of nega-

tion who teach that "it is not a proper function of government," etc., have taught also that taxes must be levied or bonds sold in order that public work may be done. This is not true, for public wealth may be monetized as it appears, and taxation or debt for the support of the general government is not necessary. On behalf of the laboring men of America, if this bill is passed, I promise to build all the highways and other public utilities needed and to take in payment the service money provided for by the bill. As it will involve no debt and no taxation, can any valid objection be urged against it? Whatever public works are built under the provisions of this bill will be a net gain to the government. If a certificate of the money is not worth much in the market, there will not be much of the money; if a unit of the money is worth much, there will be a large volume of it, and in this respect it is exactly opposite in character to gold and other commodity moneys, for their unit value falls with increase of volume for given conditions.

And this is also true: A unit of the proposed money must always equal a day of common labor, for as the public wage will not change, the unit of money being a time unit of common labor, if the money unit's value could fall below a common-labor day, money would automatically cease to issue, for when the public wage does not attract labor it can only be because private employment is offering more than the public wage. To say that this money will lose unit value, therefore, is equivalent to saying that

wages will fall because public employment is open and laborers are no longer obliged to compete for opportunity to labor—which is absurd.

Again, Gentlemen of the Committee, on behalf of thirty million laborers I challenge all the opponents of this bill to demonstrate their faith in the money they advocate; and that they may have an opportunity to do so, I urgently recommend that gold be retained as a legal tender for all contracts expressed in gold, and for public dues at its market value. I would even change the order, and say that public dues may still be expressed in gold, provided the certificates be made legal tender at their market value. Will any champion of gold reject this and still declare his faith in gold? Within a decade of the day on which this bill becomes a law, one certificate of the proposed money will buy from three to five gold dollars. And within another decade we shall have several million miles of foundational roads, built without taxation and without debt.

* * * * *

Suppose the Kaiser should propose the foregoing plan, could the Allies reject it and still contend they were fighting to make the world safe for democracy? And if they accepted it, would not the Kaiser go down in history as the democratic autocrat who tore the democratic mask from plutocracy?

Democracy

Vs.

Autocracy

EVEN from its beginning in 1914, the war was said to be a contest between autocracy and democracy, but this is true only in a relative sense, for true democracy is not yet born. The essence of autocracy is official authority in the sense of "official discretion," and though we have the democratic form; have achieved political democracy in a large measure, it is in fact (as yet) merely a subdivided, delegated autocracy instead of an hereditary, one-head (mon-arch) one. We elect our officials, but they are autocrats still within the limits of their "official discretion," and often are all the more unscrupulously autocratic because the term is short. It seems probable that even the petty, pilfering, thieving autocrat would be more moderately predaceous if he were the agent of an hereditary autocrat than he thinks he can afford to be with periodic election expenses to meet.

This "official discretion" is the rock on which democracy will founder if we do not find means to avert the disaster.

We have no fear for democracy on account of "official discretion" relating to matters having no economic significance, but discretionary

power relating to or affecting the distribution of wealth is the "twilight zone" in which "The Unseen Empire" is more firmly established than any monarch on his throne. The king of this "Unseen Empire" is king by conquest, and is therefore a strong man. His agents are also strong men, and are the more faithful because each one aspires to the succession. They are unscrupulous, and as resourceful as if by nefarious inspiration. The influences they bring to bear permeate every activity of life, social, religious, political and economic, and are not necessarily bad in themselves, but only in the use that is made of them; and because the influences are of every conceivable sort, good men serve "The Unseen Empire" unwittingly, even as bad men serve it unblushingly; and this unconscious, unpaid service is the more efficient because it is unconscious.

Let it be noted that autocracy need not be absolute in order virtually to enslave a people. A slight advantage always working against the masses and in favor of the classes will gradually accomplish their enslavement with more certainty than rigorous methods, just as "the house," with a slight advantage in the game, will get all the gambler has, more certainly than the burglar or bold highwayman.

The "official discretion" which all but nullifies our democracy and threatens its destruction is centered in the official distribution of public funds, and in lesser degree in the levying of taxes.

It is commonly believed that the people do not realize in public benefits more than sixty per

cent of the taxes paid, the remainder being wasted and stolen by indirection. This forty per cent loss occurs in the "circumlocution" office; that is, in the levying, the collecting, the handling and the distribution of the fund, the greatest waste of all being in the manipulation of contracts for public work. And even that which finally appears as public wealth in the form of highways and other public utilities is seldom distributed as it ought to be. Instead, these public benefits are almost invariably so located as to give collateral benefit to officials and their friends and thus entrench the officials politically, even if they do not profit financially. This is so well known as scarcely to need illustration. It is not even necessary to consult newspaper files to illustrate the deplorable truth. If congress or the legislature is in session and dealing with appropriations you will find it in the morning paper, in yesterday's paper, and again in tomorrow's. The scandal of "log-rolling" and "pork-barrels" is so nearly universal that it has almost ceased to be scandalous, being regarded as inevitable; and even when (as occasionally happens) a public fund is wisely and honestly spent, we are still scandalized—by the notability of such instances.

Now, what is the cure for this "official-discretion" autocracy concealed under our democratic form? Obviously it is to abolish official discretion, which is to say that we must make our social mechanism as nearly automatic as possible insofar as it relates to economic matters. This is accomplished by the method proposed, which is wholly automatic as to the general govern-

ment, and under Voluntary Tax there will not even be an assessor or a tax review board for the local community. The local authorities will have nothing to say as to what the land tax shall be. The annual payment for every site will be determined by a perpetual competition for its use, and tax officials will be mere clerks and accountants.

Nor will congress have anything to say as to what the government's income shall be under the open public employment system. It may be five billion dollars a year or ten billions—the amount will be determined, as previously said, by the amount of enforced idleness which there would be if public employment were not open. And most important of all insofar as political corruption is concerned, the location of the public utilities will not be determined by "official discretion" (subject to the kind of influence we write with quotation marks). They will gradually be produced in every rural neighborhood, substantially in proportion to its population.

For several decades the people of many communities have been electing good men to office, only to find they are all but impotent to accomplish any substantial reform, and in many cases they have been charged with bad faith, where failure was really due to the impossibility of overcoming the natural law by statute law. I do not mean by this that the evils they were expected to overcome are effects of the natural law in normal conditions, but that they are the inevitable effects of existing causes and are natural in the same sense that disease is the natural effect of infringing the laws of health. The futil-

ity of attempting to establish justice by statute law other than in the sense of giving expression to the natural law, is forcibly illustrated by the abortive efforts to abolish interest and to regulate prices and wages by statute. Not only are such attempts futile, but they make matters worse. The natural law is automatic, whether for good or ill, wherefore the attempt to abolish evils other than by conformity to the natural law is to work against nature's automatic mechanism. Our only hope is to make our social mechanism beneficently automatic, and when we have done this, as briefly outlined in the foregoing pages, a bad man in office, if there should happen to be one, will be as impotent for harm as a good man now is for good. To the extent that we realize autonomy in our governmental mechanism we shall have achieved democracy and extirpated autocracy; shall have established the kingdom of heaven on earth; in other words, shall have established the divine order, which is a theocracy, for the people who are governed by the natural law are divinely governed.

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